UNIVERSITY OF SASKATCHEWAN

ACADEMIC EMPLOYEES' PENSION PLAN

FINANCIAL STATEMENTS

For the Year Ended December 31, 2007

Provincial Auditor Saskatchewan

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SASKATCHEWAN

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of net assets available for benefits, accrued pension benefits and surplus of the University of Saskatchewan Academic Employees' Pension Plan as at December 31, 2007 and the statements of changes in net assets available for benefits and changes in accrued pension benefits for the year then ended. These financial statements are the responsibility of the Plan's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits, accrued pension benefits and surplus of the Plan as at December 31, 2007 and the changes in the net assets available for benefits and changes in accrued pension benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
April 30, 2008

Fred Wendel, CMA, CA
Provincial Auditor

UNIVERSITY OF SASKATCHEWAN
ACADEMIC EMPLOYEES' PENSION PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS, ACCRUED PENSION BENEFITS AND SURPLUS
As at December 31

Statement 1

	2007	2006
Assets		
Investments (Note 3):		
Short term	$ 1,199,700	$ 366,572
Bonds	12,072,863	15,618,524
Equities	18,525,042	22,765,919
Pooled funds	31,287,260	32,786,663
	63,084,865	71,537,678
Receivables:		
Employer contributions	24,380	---
Accrued investment income	198,928	272,564
	223,308	272,564
Cash	137,261	115,678
Total assets	63,445,434	71,925,920
Liabilities		
Accounts payable	25,436	22,511
Total liabilities	25,436	22,511
Net Assets Available for Benefits (Statement 2)	63,419,998	71,903,409
Accrued Pension Benefits (Statement 3)	57,744,000	62,006,000
Surplus	$ 5,675,998	$ 9,897,409

(See accompanying notes)

UNIVERSITY OF SASKATCHEWAN
ACADEMIC EMPLOYEES' PENSION PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
Year Ended December 31

Statement 2

	2007	2006
Increase in Assets		
Investment income:		
Interest	$ 747,338	$ 874,301
Dividends - equities	433,013	515,408
Distributions - pooled funds	1,983,056	1,128,589
	3,163,407	2,518,298
Current period change in fair values of investments	(3,331,086)	4,643,886
Contributions - employer	292,560	---
Total increase in assets	124,881	7,162,184
Decrease in Assets		
Plan expenses (Note 5)	164,645	158,442
Pension benefits paid	8,443,647	8,729,673
Total decrease in assets	8,608,292	8,888,115
Decrease in net assets	(8,483,411)	(1,725,931)
Net Assets Available for Benefits at beginning of year	71,903,409	73,629,340
Net Assets Available for Benefits, end of year (to Statement 1)	$ 63,419,998	$ 71,903,409

(See accompanying notes)

UNIVERSITY OF SASKATCHEWAN
ACADEMIC EMPLOYEES' PENSION PLAN

STATEMENT OF CHANGES IN ACCRUED PENSION BENEFITS
For the Year Ended December 31

Statement 3

	2007 (Note 6)	2006 (Note 6)
Accrued Pension Benefits, beginning of year	$ 62,006,000	$ 66,161,000
Increase in Accrued Pension Benefits:		
Interest on accrued benefits	4,030,000	4,300,000
Changes in assumptions	125,000	135,000
Experience loss	297,000	419,000
	4,452,000	4,854,000
Decrease in Accrued Pension Benefits:		
Benefits paid with interest	8,714,000	9,009,000
Accured Pension Benefits, end of Year (to Statement 1)	$ 57,744,000	$ 62,006,000

(See accompanying notes)

UNIVERSITY OF SASKATCHEWAN
ACADEMIC EMPLOYEES' PENSION PLAN

NOTES TO FINANCIAL STATEMENTS
December 31, 2007

1. Description of the Plan

The following description of the University of Saskatchewan Academic Employees' Pension Plan (Plan) is a summary only. For more complete information, reference should be made to the Plan Agreement.

a) General

The Plan is a defined benefit pension plan registered under *The Pension Benefits Act, 1992 (Saskatchewan)* and the *Income Tax Act (Canada)*. The Plan is closed to new members and has no active contributing members.

b) Administration

The Retirees Pension Committee, composed equally of appointees of the Board of Governors and pensioners, administers the Plan. The Committee provides recommendations to the Board of Governors in matters of Plan amendments and also maintains liaison with all those concerned with the operations of the Plan, including the Board of Governors, the trustee, the investment advisors, the actuary and the members of the Plan.

c) Pension Benefits

Pension benefits are paid for an individual's lifetime with various survivor benefits being payable after death that are unique to each pensioner.

d) Death Benefits

For a member who is deceased after retirement, the surviving beneficiary will be entitled to receive the form of pension elected by the member at the member's retirement date.

e) Indexing

Contractual indexing has expired, however, pensioners may be granted ad hoc increases at the discretion of the Board of Governors.

f) Funding Policy

The University is responsible for any solvency deficiency based on a triennial actuarial valuation. The most recent actuarial valuation for funding purposes filed under *The Pension Benefits Act* (Act) was prepared by AON Consulting Inc. as at December 31, 2006. This valuation disclosed a solvency deficiency which, in accordance with the Act, is being funded by the University making special monthly payments of $24,380 until the date of the next actuarial valuation.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following policies are considered significant.

a) Basis of Presentation

These financial statements are prepared on the going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity independent of the sponsor and plan members. They are prepared to assist plan members and others in reviewing the activities of the Plan for the fiscal period but they do not portray the funding requirements of the plan or the benefit security of individual plan members.

b) Investments

Short-term investments are recorded at cost which approximates market value.

Investments in bonds, debentures and equities are recorded at market values which are determined by reference to closing year end sale prices from recognized security dealers or, in the absence of recorded sales, by reference to closing year end bid and ask prices.

Investment transactions are recorded on the trade date. Interest income is accrued monthly and dividend income is recognized on the record date.

Units held in pooled funds are valued at the closing sales prices of the underlying securities as reported by the principal securities exchange on which the underlying securities are traded.

Investments denominated in foreign currency are translated at the exchange rate in effect at year end. Investments and realized gains and/or losses are translated at the exchange rate in effect at the transaction date. Unrealized gains and losses resulting from exchange differences are included in the determination of the change in market value of investments.

c) Recent Accounting Pronouncements

Effective January 1, 2008, the Plan will be required to adopt the Canadian Institute of Chartered Accountants (CICA) handbook sections 3862 – Financial Instruments – Disclosures, and 3863 – Financial Instruments – Presentation. Section 3862 provides standards for disclosure of the risks arising from financial instruments to which the Plan is exposed, and how the risks are managed by the Plan. Section 3863 provides standards for the presentation of financial instruments and non-financial instrument derivatives. The Plan does not expect the adoption of these new standards to have a material impact on its financial statements.

3. Investments

The investment objectives of the Plan are to ensure the Plan has sufficient assets to meet future pension obligations and to generate sufficient cash flow to meet pension payments. Due to the long-term horizon of the Plan's liabilities, the Plan takes a long-term investment perspective. The strategy employed to achieve these objectives is to invest cash flows from maturing debentures and investment returns into assets such as money market securities, bonds, Canadian and foreign equities and pooled funds.

a) Interest Rate Risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Plan's assets and liabilities.

The value of the Plan's assets is affected by short-term changes in nominal interest rates. The Plan manages interest rate risk by investing in bonds and debentures with varying years to maturity.

b) Credit Risk

Credit risk arises from the potential for issuers of securities to default on their contractual obligations to the Plan. The Plan limits the credit risk by dealing with issuers that are considered to be high quality. The credit ratings used to describe the securities below are based on the Dominion Bond Rating Service, Standard and Poor's, Moody's Investor Services and Fitch Ratings.

c) Foreign Currency Risk

Foreign currency exposure arises from the Plan holding investments denominated in currencies other than the Canadian Dollar. Fluctuations in the relative value of the Canadian Dollar against these foreign currencies results in a positive or negative effect on the fair value of investments. The Plan manages the foreign currency risk by limiting the Plan's holdings of foreign investments and by diversifying the investment portfolio by country.

d) Market Risk

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market. The Plan's policy is to invest in a diversified portfolio of investments, based on criteria established in the Statement of Investment Policies and Procedures.

e) Short-term Investments

Short-term investments are comprised of T-Bills, notes and commercial paper with effective interest rates of 3.35% to 4.22% (2006 – 4.18% to 5.05%) and an average remaining term to maturity of 365 days or less. The Plan's investment policy states that investments must meet a minimum investment standard of "R1", as rated by a recognized credit rating service.

f) Bonds

The Plan's investment policy states that bonds must meet a minimum quality standard of BBB as rated by a recognized credit rating service. BBB rated bonds cannot exceed 15% of the market value of the bond portfolio.

2007

Years to Maturity	Federal	Provincial	Corporate	Total Market Value	Current Yield
Under 5	$ 379,717	294,856	3,642,421	4,316,994	4.32% - 6.50%
5 – 10	403,446	1,146,562	3,051,910	4,601,918	4.00% - 6.74%
Over 10	1,245,304	0	1,908,647	3,153,951	4.57% - 6.94%
Market Value	$2,028,467	1,441,418	8,602,978	$12,072,863	

2006

Years to Maturity	Federal	Provincial	Corporate	Total Market Value	Current Yield
Under 5	$ 801,896	866,850	3,691,399	5,360,145	3.64% - 6.24%
5 – 10	348,664	1,116,101	3,063,570	4,528,335	4.03% - 6.05%
Over 10	2,315,340	1,551,465	1,863,239	5,730,044	4.51% - 5.71%
Market Value	$3,465,900	3,534,416	8,618,208	$15,618,524	

Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

g) Equities

The Plan's investment policy allows no one holding to represent more than 12% of the market value of the equity portfolio and no one holding to represent more than 10% of the common stock in any corporation. The average dividend rate is 2.10% (2006 – 2.17%).

	Market Value	
	2007	2006
Canadian	$ 10,509,952	$ 12,039,081
Foreign	8,015,090	10,726,838
	$ 18,525,042	$ 22,765,919

h) Pooled Funds

The Plan holds units in pooled funds which have no fixed interest rate and its returns are based on the success of the manager. Investment in a single pooled fund should not exceed 10% of the market value of that pooled fund. The Plan's pooled funds are comprised of the following:

	Market Value	
	2007	2006
BGI Universe Bond Index Fund	$ 21,226,958	$ 20,491,114
Jarislowsky Fraser International Equity Fund	9,308,323	11,540,579
Jarislowsky Fraser Special Equity Fund	751,979	754,970
	$ 31,287,260	$ 32,786,663

i) Investment Performance

The investment managers make day-to-day decisions on whether to buy or sell investments in order to achieve the long-term investment performance objectives set by the Plan. It is these long-term investment performance objectives that are used to assess the performance of the investment managers. The primary long-term investment performance objective for the entire portfolio is to out-perform a benchmark portfolio.

The following is a summary of the Plan's investment performance:

As of December 31, 2007	1 year	4 year
Plan Return	(0.2)%	6.8 %
Plan Objective	1.4%	7.4%

The annual returns are before deducting investment expenses.

The Plan's objective for its investment portfolio (return on the benchmark portfolio) has been determined using the actual returns of the market indexes such as the S&P/TSX Capped Composite Index, Standard & Poor's 500 U.S. Stock Index, Morgan Stanley Europe, Australia and Far East Index, DEX Universe Bond Index and 91-Day Canadian Treasury Bills.

4. Fair Value

Receivables and accounts payables are non-interest bearing and are due or payable within the next year. Due to their immediate or short-term maturity, the fair value of these financial instruments approximates carrying value.

Fair values of investments are disclosed in note 3.

The fair value of accrued pension benefits cannot be readily determined, however information about the estimated provision is provided in note 6.

5. Plan Expenses

	2007		2006
	Budget	Actual	Actual
Investment management fees	$59,900	$52,552	$63,418
Trustee fees	33,900	38,535	36,194
Administration fees	7,400	6,441	5,342
Consulting services	56,500	67,117	53,488
Total	$157,700	$164,645	$158,442

6. Accrued Pension Benefits

The present value of accrued pension benefits was determined using the projected benefit method prorated on service and the best estimate assumptions of management.

An actuarial valuation of the Plan was performed by Aon Consulting Inc., a firm of consulting actuaries, as at December 31, 2007 and December 31, 2006.

Significant long-term actuarial assumptions used in the valuation were:

	2007	2006
Interest rate	6.5%	6.5%
Mortality table	UP 94 projected to 2008	UP 94 projected to 2007

The actual rates may vary significantly from the long-term assumptions used. The following illustrates the effect of changes in these assumptions on the accrued benefits obligation:

Assumption	Change Made	Change in Accrued Liability	Percentage Change in Accrued Liability
Interest rate	Plus 1%	(3,053,000)	(5.29%)
	Minus 1%	3,396,000	5.88%
Mortality	Plus 0.5%	1,944,000	3.37%
	Minus 0.5%	(1,793,000)	(3.11%)

During the year the actuary recommended a change in the mortality assumptions to reflect a more current mortality table. This has resulted in an increase to the accrued pension benefits of $125,000. The net experience loss of $297,000 during the year was attributable to pensioner mortality.

To protect the Plan against future adverse investment experience, the Pension Plan Agreement, under article XI 5, allows that any surplus which may arise from the operation of the Plan which is not required to meet the actuarial liabilities existing thereunder shall accumulate as a reserve for contingencies.

The assets, including any potential surplus in the Plan, are for the benefit of the members and their beneficiaries. There is no provision that allows the withdrawal of the surplus by the University.

7. Related Parties

The Plan is related to the University of Saskatchewan and other pension plans sponsored by the University of Saskatchewan.

The University of Saskatchewan pays for certain administration and consulting expenses. A portion of these expenses, which the University of Saskatchewan incurs, is charged back to the Plan. The expenses charged by the University of Saskatchewan in 2007 were $6,441 (2006 – $5,342).

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

8. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.